28

E. B. CRANEY
Box 1
BUTTE, MONTANA

Unemployment Compensation Commission of Montana

BARCLAY CRAIGHEAD
Chairman

LOUIS G. DeNAYER
Commissioner

GEORGE R. SHEPARD
Commissioner

Membership of the Montana State Unemployment Compensation Advisory Council

Public Representatives:

REVEREND JOHN J. O'CONNOR, Chairman
MRS. EVA STOUTENBURG
JAMES V. BENNETT

Employer Representatives:

ROBERT D. CORETTE (In Armed Service)
JOHN F. M. TRAVIS

Employee Representatives:

W. A. BOYLE
BRUCE I. STEINMETZ

The Wagner-Murray Bill

INDEX

Advisory Council, views of: 3
James V. Bennett 18
Rev. J. J. O'Connor 18
Bruce I. Steinmetz 18, 19, 20
Eva H. Stoutenburg 20
John F. M. Travis 18
Background 3, 5
Centralization by decree 15
Changes in reserves 8
Committees Hearing Bill 17
Conclusion: A Bread and Butter Question 17
Coverage, increase 7, 8
Drafting, examples of loose 9
Employment service 12
Extension of federal activities: 4
Advantages of possession 5
New proposals 4
Is federalization best? 4
Many activities necessarily federal 6
Farm tax collections 7
Foreword 2
Industrial accident insurance 13
Medical, hospitalization benefits 14, 15
Surgeon General supreme 14
Old age and survivors insurance 11, 12
Pay-as-you-go system 8, 15
Political implications, 9
Promises vs. performance 10, 11
Recommendations:
1. Reduce number of reports 16
2. Protect returning soldiers 16
3. Cash sickness insurance 16
4. Voluntary old age insurance coverage 16
5. Permanent disability 16
Senate finance committee membership 17
Should soldiers have voice? 10
Special session 12
State activities, effect on 12, 13
State and local pension systems 13
Summary of benefits 10
Tax collections:
Under present law 7
Under Wagner-Murray bill 8
Increase on employers 13, 14
Increase on employees 13, 14
Under Social Security Board 14
Unemployment compensation 12
War-time is waste-time 15
Ways & Means committee membership 18
What the bill promises 6, 8, 9, 10

(Not printed at public expense)

1943

FOREWORD

This bulletin is issued by the Unemployment Compensation Commission of Montana in compliance with legislative mandate found in Chapter 233, Session Laws of 1943. The amendments to the Unemployment Compensation law (House Bill No. 203) passed the House of Representatives by a vote of 75 to 4, and the Senate by a vote of 49 to 0. Section 11-B reads as follows:

> . . . "The Commission shall fully cooperate with the agencies of other states, and shall make every proper effort within its means, to oppose and prevent any further action which would in its judgment tend to effect complete or substantial federalization of state unemployment compensation funds or state unemployment compensation and employment security programs, or any part of the Social Security program." (Emphasis ours).

When the amendment was passed by the Montana Legislature, it was transmitted to the Social Security Board, and in the budget grant, providing administrative funds for this Commission for the period from July 1 to December 31, 1943, a prohibition was included in the grant as follows:

> "None of the funds herein approved may be expended for the purposes of implementing Section 11-B of the Montana Unemployment Compensation Law without prior approval of the regional representative."

The Chairman of the Commission protested to the Social Security Board, and on August 19, 1943, Bureau officials withdrew the prohibition, as follows:

> "We are attaching a revised copy of page 4 of Form ES-106 which supersedes page 4 as originally transmitted to you.
>
> "You will note that the restriction on the expenditure of funds for the purpose enumerated in Section 11-B of the Montana law has been deleted." . . ."

However, after the Commission had circulated a circular discussing federalization and quoting extensively from an article by Representative Hatton W. Sumners of Texas, Social Security Board officials advised the Commission that exception would be taken to the costs of printing and distributing. Comments of the Social Security Board are as follows:

> "Complaints have reached the Board concerning alleged misexpenditure of Federal funds by the Chairman of the Montana Unemployment Compensation Commission.
>
> "In determining the validity of these complaints, the Social Security Board has considered a report from its regional office that the Montana Unemployment Compensation Commission printed and distributed ten thousand copies of a circular addressed to Montana citizens in which you oposed Senate Bill 1161. The cost of printing this circular was stated to be $95.40 and was paid out of title III funds.
>
> "The Board considers the expenditure of title III funds for the preparation of this circular and for expenses connected with its distribution as prohibited by the provisions of the Third Deficiency Appropriation Act of 1919. Even were there no such specific prohibition, the Board considers such expenditures not necessary for the proper and efficient administration of the unemployment compensation program in Montana and consequently audit exceptions will be taken to such expenditures pursuant to the provisions of 303 (a) of the Social Security Act."

To prevent this Commission from discussing proposals that threaten the very existence of this office, and so vitally affect the future of nearly all citizens of Montana (following a specific mandate of the Montana Legislature), would, it appears, not be the most tolerant administration, though we cannot believe that the Social Security Board could have been influenced by any form of political pressure.

A score or more of bills, affecting the social security program, are now pending before the national congress. The most widely discussed of these measures is the Wagner-Murray bill, introduced June 3, 1943, by Senator Robert F. Wagner of New York and Senator James E. Murray of Montana.

The following pages attempt in part to analyze this bill and to discuss its effect, if enacted, upon the State of Montana. Senate Bill No. 1161 (the Wagner-Murray bill) is generally regarded as presenting the views of the national administration, the Social Security Board, and the national office of both C.I.O. and A. F. of L. unions, with respect to taxation, federalization of certain state agencies, expansion of insurance and services, and extension of coverage.

Sincerely,

BARCLAY CRAIGHEAD,
Chairman.

GEORGE R. SHEPARD,
Commissioner.

LOUIS G. DeNAYER,
Commissioner.

General Review of Senate Bill 1161

(The Wagner-Murray Bill)

A new social order has descended upon the United States.

One evidence of this new social order is the constantly expanding activities of the federal government.

We feel this expansion in all that we do. In the crops we seed, the food we eat, the business we conduct, the very job we work at, the automobile we drive, the charity we dispense, the taxes we pay — everywhere — is the hand of the federal government. Few localities are so small or so remote as not to contain some, or many, offices of the federal government.

ADVISORY COUNCIL

In conformity with standards set by the Social Security Board, a Montana Unemployment Compensation Commission Advisory Council, composed of representatives of labor, employers, and the public, has been appointed. One of their duties is to "formulate broad general policies through discussion of problems relating to employment security."

The Montana Council met for many days and has participated in the preparation of this report. We feel quite grateful for their assistance and their unselfish interest.

The last meeting of the Council was held December 15, 1943.

At this meting, the Advisory Council, by resolution, approved the principles of the Wagner-Murray bill, favoring complete coverage and ultimate social security for all. The Council favored a state-federal rather than a strictly federal administration for the Employment Service, Unemployment Compensation, and Temporary Disability Insurance. The considered opinions of each member are recorded below: (Member Robert D. Corette of Butte being in the Armed Services, and W. A. Boyle of Billings attending a Washington, D. C. meeting, did not attend).

REVEREND J. J. O'CONNOR,
Chairman.

JOHN F. M. TRAVIS
JAMES V. BENNETT
BRUCE I. STEINMETZ
MRS. EVA H. STOUTENBURG.

(Continued on Page 18)

As was pointed out in the Sixth Annual Report of the Unemployment Compensation Commission:

> "Whatever control the individual employer may have had over payrolls in his establishment prior to the war, it is evident that since December 7, 1941, he is completely helpless to determine extent or duration of employment.
>
> "The government has ordered the elimination of automobile production; restricted gas consumption; commandeered merchant shipping; established price control; and permits the seizure of property necessary for national defense. The government is spending billions of dollars in new plants—not only in this country—but in Canada, South America and other parts of the world. The government has established an elaborate system of priority. It now rations goods and materials. Millions are engaged in war production work, with other millions in government service, and still additional millions in the armed forces.
>
> "Under this shattering impact, all American economy is distorted. . . . Responsibility for unemployment depends almost exclusively upon government purchases, government regulations, government fixed prices, and government-paid, directly or indirectly, employees.
>
> "Many individual employers are as helpless to chart their own courses, under present conditions, as the soldiers. Individual enterprise, in the old sense, is out the window for the duration."

There are two schools of thought in this country as to the extent to which the federal government should participate in the economic life of the nation in the future.

Would Extend Federal Activities

One school would continue and extend federal activities. The advocates of the Wagner-Murray bill obviously belong to this group. If enacted, this

(Turn to Page 4)

bill would go a long way toward wiping out remaining state and local government, and would vastly widen the authority of federal officials in their control of the activities of all citizens.

The second school of thought willingly tolerates federal controls needed because of the war; but they are determined that federal activities shall not be increased at the end of the conflict. Many are determined that federal activities shall be decreased with military victory.

Many New Proposals

Many new proposals are now advanced to extend the activities of the federal government. Some of these proposals have almost universal acceptance, and, therefore, appear to be almost sure of eventual adoption. Regardless of party victories, or elections, it appears that semi-permanent activities of the federal government may grow, and not contract, as is generally supposed, with the peace. Since expansion of federal government activities in many fields seems almost inevitable would it not be wise to hold this extension to necessary fields, developing local government where desirable?

Included in the group of proposed future federal governmental activities are plans to:

1. Provide mustering-out pay for soldiers.
2. Maintain a larger army and naval establishment than customary in pre-war days.
3. Extend universal service laws.
4. Provide further educational and trade school opportunities for soldiers and others.
5. Supply adequate pensions to disabled veterans, unemployment allowances, etc.
6. Extend the rationing and food subsidy program.
7. Continue lend-lease activities to rehabilitate war torn nations at the end of the war.
8. Convert war plants to peacetime pursuits.
9. Establish an international bank to control world financial transactions.
10. Extend the program of public works.
11. Dispose of 50 billion dollars worth of surplus supplies and plants.
12. Expand all social security systems.
13. Build super highway system.

Since many of these, and other proposals, will be accepted, the question now is not primarily whether federal activities shall be contracted, it is rather whether they shall be further extended, in part, at the expense of local government. The advocates of a masterful, strongly centralized national government have already won. Whether national government activities are to be so extended in the future that local and state governments will become impotent has not yet been determined.

Is Federalization Best?

There are still some citizens who continue to believe with Congressman Hatton W. Sumners of Texas that:

> "Government is exercised best in the local community. There the problems are perceived with greater clarity because they are close to the people and on a scale within their grasp. The self-reliance of the individual, town and state is being destroyed as they are being relieved of the necessity of governing themselves. When people stop thinking for themselves there is always someone willing to step forward to do their thinking for them."

At least a few citizens still believe that it is neither wise nor possible to govern properly in all minor details, from a single city on the eastern seaboard, a country or people as varied as ours. They believe that the traditions and customs of people in Alabama and Montana are so different that general rules and regulations imposed from coast to coast cannot be successfully applied to both.

They believe that while government from Washington may be of the people, and perhaps for the people, it cannot be **by** the people.

Some citizens question whether any man, no matter how wise he may be, can foresee the full impact of his acts when his orders or regulations must apply alike to Montana and Maine.

These arguments, if they have merit, apply with greatest force to the social security programs where intimate contact necessary to efficient administration with tens of millions of affected individuals might best be carried on by local and state authorities.

How Trend of Opinion Changes

In connection with social security activities, it is of interest to note in recent years that some of the top administrators of federal bureaus at

Washington have changed their minds with reference to federalization. Mr. A. J. Altmeyer, Chairman of the Federal Social Security Board, once told state unemployment compensation administrators:

> "The Board is of the opinion that a national system would have broken down under the initial impact of the administrative difficulties which you have been able to surmount with such a considerable degree of success. (Address to Interstate Conference of Employment Security Agencies, October 20, 1938.)

After two years further study of the state unemployment compensation systems, Chairman Altmeyer was able to state that it was "inconceivable" that all phases of the Social Security Law "could be administered from Washington." In fact, no state administrator has as yet been able to equal the fervor and eloquence of his words in support of the state-federal system as given in an address on March 7, 1940, in Wilmington, Delaware, as follows:

> ". . . the Social Security Act is in its essence a cooperative federal-state plan whereby the federal government enables the states to operate more effectively and on a nationwide scale. In so doing, it maintains a proper administrative and constitutional balance between the National Government and the governments of the forty-eight states. . . .
>
> "This cooperative federal-state attack on national problems may not appeal to those who believe in a strongly centralized government, or to those who prefer to work out in advance a nice blue print of the law and its administration. However, those who appreciate the vast geographical expanse of this country, the variation in conditions throughout the country, and the desirability of permitting the states to enact laws which meet their particular needs and which meet with the approval of interested groups within a state, will agree that the plan laid down in the Social Security Act is more realistic and in harmony with the traditional American way of meeting our social problems.
>
> "In fact, it is inconceivable that a law which affects so intimately the daily lives of our people could be administered from Washington. No law could be written which would take into full account the variation in the conditions and circumstances existing throughout this country, nor could any one person or group of persons in Washington direct the administration in such a way as to take into full account the circumstances of the individual case. The inevitable result would be that decisions would be made in Washington that did not take into account all of the facts. Moreover, because of the tremendous scope of the application of the law, it would be necessary to reduce to a minimum the discretion of persons in direct contact with individual cases. This would result in a large volume of detailed rules and regulations, all of which spells bureaucracy."

But in the seventh annual report of the Social Security Board, for the fiscal year 1941-1942, we find this evidence of a changed opinion:

> "The Social Security Board is convinced that nothing less than a national uniformly operated employment service, sustained by an adequate and soundly financed Federal unemployment insurance system, will meet the needs of the period immediately following the war and the longer-range objectives of social security."

Advantages of Possession

In this contest between the advocates of continued and expanded federal activities, and citizens opposed to further extension, the proponents of federal expansion have all the advantages of possession. The new social order is already in existence. For good or ill it is functioning. It is in existence by virtue of a multitude of special statutes difficult to repeal, thousands of executive orders, a myriad of departmental regulations, and legal tangles, approved in part by the courts. We cannot hope to return to the old ways of doing business. The war crushed the last remaining opportunities for quick return to the old, for every change will be opposed by militant pressure groups.

To a generally unrealized extent, many of the new activities of government operate upon their own steam through federal governmental corporations. They have largely circled congress. Government corporations have increased greatly since 1939. Today there are more than 50 of these instrumentalities. They make whiskey, sell insurance, build and sell war plants, and trade trinkets to the corners of the earth. Their annual business runs to tens of billions of dollars with total assets in excess of 23 billions. They do not furnish congress with full information, and such corporations are not subject to complete audits.

Recently, testifying before a congressional committee, the Comptroller General of the United States summed up the situation as follows:

> "I might point out to you that, under the unlimited authority of the R.F.C. to create corporations, it is only by the merest accident sometimes that we ever hear of them." (emphasis ours).

Many Activities Necessarily Federal

Many activities of government, such as the Army and Navy, international finance, trade, tariff, and rehabilita-

tion must, of necessity, be under complete federal management. In the field of social security, this does not hold true. Management of social services can be and was, prior to the past ten years, left to local government. Or the federal government can **shape and require** local governments to carry social services **to any desired degree by use of the tax offset** device.

Unemployment compensation (fairly uniform in all states) was implemented by use of the tax offset. The first unemployment compensation law was passed in January, 1932, by Wisconsin, but it might have been many years before all states would have passed similar measures, if left to themselves.

Social Security Offers Choice

In 1935 the federal government, in the Social Security Act, passed a 3 per cent tax upon industrial and commercial employers of 8 or more persons, but provided that tax collections to 90 per cent, when made by the states for unemployment compensation, would be credited against the federal tax. Under such pressure, within two years, all states had unemployment compensation laws. The same device **could be used to force state compliance with the provisions** of the Wagner-Murray bill. The first question to be decided then is: Do we want complete federalization of the social security program?

Complete federalization is not necessary. **All that the Wagner-Murray bill offers can be offered on a state-federal basis.** Perhaps the public prefers complete federalization, and, if so, their wishes should be made known to the congress.

General

If enacted, the Wagner-Murray bill would ultimately offer extended social security to almost all citizens who labor in self-employment or for others, specifically and completely exempting only ministers of God, the insane, the hospitalized tubercular, and federal and railroad employees. Protection for federal and railway employees is obtained by separate federal social security systems, the insane and hospitalized tubercular remain the responsibility of the states, while ordained ministers neither pay nor profit. It would be many years before wage credits sufficient to protect millions of low wage and seasonal workers could be earned and credited, but the ultimate object of the Wagner-Murray bill is to protect the entire working population. Individuals receiving charitable aid from the states could not qualify for benefits without returning to employment, but the number of such persons without wage credits would gradually dwindle in the distant future.

For their protection, offered in the Wagner-Murray bill, the average small salaried citizen would be compelled to surrender to his government from 10 to 15 per cent of his **lifetime** earnings—some directly and some **indirectly.** His government would collect 6 per cent of his pay check from $1 to $3,000, if employed by another (7 per cent of value of services if self-employed), plus 6 per cent from his employer, plus an estimated ultimate equivalent of 6 per cent from the general public, plus tax costs of special appropriations for administrative expenses, veteran's care, the public assistance features of the bill and contingencies.

Magnitude of Proposal

It is said the average man buys a home but once and that this is the largest single purchase he makes in a lifetime. Even so, such a purchase, purely voluntary, would hardly tie up as large a proportion of his lifetime earnings as would social security under the Wagner-Murray bill, because the average home purchase plan requires only ten years to complete. Yet most of the literature distributed by advocates of the Wagner-Murray bill seems to indicate to wage earners that their only costs would be the 6 per cent tax directly deducted from their pay checks. This is **not** correct unless the wage worker is not considered a part of the general public and is not affected by pay roll charges against his employer.

Since the bill requires compulsory tax collections also against the self-employed (forcing even physicians to pay for the medical advice they receive from other physicians, as an example) and is to be a permanent part of our economy in the future, it appears it cannot be discussed too fully.

Nearly Doubles Number Covered

The Wagner-Murray bill amends the present social security law, in part, by almost doubling the numbers of citizens protected and, also, by greatly widening the benefits offered.

The present social security laws give coverage largely to industrial and commercial working groups. The Wagner-Murray bill **includes** the self-employed, farmers and their workers, and state and local employees (by voluntary election).

At present in Montana about 125,000 persons are covered by unemployment compensation and the federal old age and survivor's insurance provisions of the social security laws.

The Wagner-Murray amendments would add approximately:

42,000 self-employed farmers.

8,000 livestock producers.

25,000 farm workers.

15,000 to 25,000 self-employed (doctors, storekeepers, lawyers, etc).

8,500 State and local employees (by voluntary coverage).

4,000 domestic servants.

Thus, the number of persons and their dependents subject to the social security laws, in Montana, would almost double after the amendments.

Estimated Farm Tax Collections

Farm and livestock operators, and the self-employed, would pay a tax of 7 per cent of the market value of their services to $3,000. In addition, they would pay their share of the taxes collected from the general public (estimated eventually at one-third of the total cost by the sponsors of the bill). The self-employed would not be entitled to unemployment compensation or temporary disability benefits.

A self-employer farmer, upon a valuation for his farm services of $2,000 a year, would pay $140 per year in taxes until quitting productive labor, (retirement available at 65 years of age) plus his share of collections made from the general public. In addition, the farmer would pay a tax of 6 per cent upon wages paid to employees, and the employee would pay 6 per cent, while both would share in costs estimated at the ultimate additional 6 per cent supplied by federal appropriations made from general taxes.

The total new tax bill against the Montana agricultural industry would be about $9,000,000 a year, not including general taxes.

The "market value" of the services of a self-employed person would be 'as found by the Social Security Board not in excess of $3,000 for any calendar year." Governmental experts required at Washington to find the proper market value of the services of millions of farmers and lawyers should be quite numerous and should develop some interesting social and statistical studies as well.

A self-employed merchant or doctor, with a "market value" for his services of $3,000 per year, would pay $210 per year at 7 per cent, and, in addition, his share of any general federal taxes required to help finance for social security; the total new Montana tax bill for such independents would be approximately $3,000,000 a year, exclusive of the general public withdrawals.

These independents and their employees would each also pay, if covered, 6 per cent upon wages or salaries to $3,000 and their share of general taxes required.

Breakdown of Tax Collections in Montana

A breakdown of probable social security tax collections, from Montana, following the enactment of the Wagner-Murray bill, as compared with existing tax collections under the present social security law, would be about as follows:

Paid Under Present Law

At present Montana industrial employers of eight employees or more pay Montana unemployment and federal excise pay roll tax of 3 per cent plus a social security tax for old age and survivor's insurance of 1 per cent: Total, 4 per cent.

Montana employers of less than 8 employees pay 2.7 per cent unemployment tax and 1 per cent old age and survivor's tax: Total, 3.7 per cent.

Montana workers pay 1 per cent old age and survivor's insurance tax.

How Much in Money?

At present, employment levels at the above rates, covered Montana people are paying:

Montana employers' federal excise and unemployment compensation taxes	$ 3,700,000
Montana employers' old age and survivor's insurance tax	1,300,000
Montana employees' old age and survivor's insurance tax	$ 1,300,000
TOTAL	$ 6,300,000

Paid By Same People Under Proposed Rates

These same citizens would pay in Montana under the Wagner-Murray bill:

Montana employers (6%)	$ 7,800,000
Montana employees (6%)	7,800,000
Drafts on federal treasury (estimated 6%)	7,800,000
TOTAL	$23,400,000

It should not be overlooked that present employment levels used in the above tabulations are near a peak not approached before the war, and above those which may be anticipated after the war.

Increased Taxes by Greater Coverage

Moreover, the above estimates do not include the additional tax collections provided for as a result of increased coverage. These new tax-paying groups would include farmers, the self-employed, domestic servants, farm workers, etc. The total amount of new taxes is difficult to determine, but farmers, and the self-employed, would probably pay some $12,000,000, bringing total tax collections to not less than $36,400,000 as compared with present limited coverage, restricted protection, and lower tax schedules of $6,300,000.

Federal taxes in Montana this year (1943) will be about $50,000,000 (this does not include state and county taxes.)

The total federal tax bill in Montana would be, if the Wagner-Murray bill should pass, about $86,400,000 in 1944.

Fundamental Changes in Existing Reserves

In addition to greatly expanding coverage and benefits, and enlarging the tax rate, the Wagner-Murray amendments would change fundamentally the present business-like features of the social security law. By "business-like" we mean the collection of taxes for specific purposes, the collections in advance and the building of cash reserves for meeting definite benefit payments when due. In less than eight years the state-federal unemployment compensation commissions and the federal old age and survivor's insurance bureau have accumulated nearly nine and one-half billion dollars in reserves. Unemployment compensation reserves approach five billion. In Montana, unemployment compensation reserves, as this is written, are about $12,000,000. Through the elimination of the offset tax provisions and the withdrawal of allowances to the states of the costs of administration, the practical effect of the Wagner-Murray bill is to take the reserves and throw them into a federal treasury special trust fund. A special account is set up in the trust fund consisting of about one-quarter of current tax collections, for the revolutionary medical care and hospitalization purposes of the bill; the remander becomes a pooled fund from which benefits for unemployment compensation, old age, total and permanent disability, and the like, are to be drawn as necessary.

A Blow at Stability

It thus appears quite possible, if unemployment at the end of the war is larger than antcipated, that funds now set aside for old age insurance or permanent disability (no adequate estimates of costs have been attempted) could be absorbed by the unemployed, leaving nothing for the aged. Under the Wagner-Murray bill, congress should then appropriate needed sums from general taxes. At this point congress may become more economy-minded, be pressed for other worthy purposes, and reduce benefits, or sell additional bonds. The pertinent fact is that **under such conditions benefit amounts for social security become a "football of politics"**—a consummation that all well-wishers for a sound system must deplore. A similar situation now prevails in Montana with reference to the teachers' pension and old age assistance—a constant legislative battle to increase pensions.

Under the present social security law, ear-marked taxes have provided more than ample funds for ear-marked purposes. The states have been conservative, it is true, and have accumulated a five billion dollar unemployment compensation reserve. This, either in the hands of the states or

under federal ownership, should prove of value in improving the present state or a new federal system. A national system of unemployment compensation that would start with cash assets of five billion would, it is evident, have a much better chance of success than one starting at scratch. The state systems started at scratch. Fortified by the present accumulated reserves, and much higher taxes, larger benefits could be paid under a new system, at least for a while, or until the federal system has been riveted upon the nation.

Political Implications

Under the Wagner-Murray bill, in sickness and accident, upon the loss of a job or a finger, before birth, in old age to death, the citizen and his survivor, upon a nation-wide scale, would in stress and trouble turn to Washington for federal governmental aid.

When the providing of adequate funds to furnish this aid has been promised, but not provided by understood specific taxes, and is left to congress to ferret out from general taxes, the political implications cannot be calculated. A more deadly blow could hardly be struck against a permanent old age retirement system. What man could look with satisfaction to a pension in his declining years dependent upon the generosity or fairness or niggardliness of political powers? How will he know how the political winds may blow a decade hence?

What the Bill Promises

What does the Wagner-Murray bill promise? Eventually, to almost all citizens (federal, railroad employees under a separate system; ministers, the insane and tubercular hospitalized exempted), a rather complete, though restricted protection against most of the material ills of life. While much of the bill will have to be revised, we believe, and the paternalism and authority given bureau chiefs at Washington to extend duration of benefits, to shape medical and health education through money grants at their pleasure, to control the practice of medicine, etc., should be liquidated, the measure does offer much that forward-looking men hope to reach in the future. By its excesses we are fearful that the bill, when understood, will be found to have injured the cause of sound social security, in the same way that the occasional extreme labor unionist sometimes injures the cause of union labor, by repulsing friends who might favor less all-embracing proposals. No indemnity is offered against pain, property damage, or hard luck in love affairs, but certainly responsible governmental officials (save Hitler and Tojo, who promised the earth and all its riches through conquest to the German and Japanese people) have never before made such a bid for popular support at public expense.

Extreme Examples of Loose Drafting

Here is an exceptional and extreme example, but representative of the lack of protective restrictions in the measure: Should you get drunk and by your own carelessness injure yourself, destroying your earning power, under this bill the government would pay, if fully insured, doctor and hospital bills and award a pension for the remainder of life, even though you might have ample funds to care for yourself.

Again: (Keeping in mind that this is the exceptional and unusual case) the worker attains current insured status, under the Wagner-Murray bill, by earning at least $150 (at least $50 in each of two calendar quarters). Current status entitles the worker to temporary disability and unemployment compensation. A worker earning $150 per month could work five weeks and then be entitled, under some circumstances, to draw benefits as high as 80 per cent of his full time pay check for possibly as long as 52 weeks (if bureau officials approve and funds permit).

Again: The bill would make college students eligible for unemployment benefits, under many circumstances, if they were employed during the summer months.

Again: The bill would make women, who quit their jobs to become married, eligible under many circumstances. In Montana, the legislature has taken the position that unemployment compensation was not intended to furnish funds for the purchase of furniture or nest eggs for the newly married.

Scores of other instances of loose drafting, and the lack of protective amendments, relating to eligibility, might easily be given.

Summary of Benefits Offered

The bill offers benefits as follows:

1. Unemployment benefits, upon the loss of a job, for 26 weeks, or 52 weeks if officials approve and funds are available; in some instances to 80% of the claimant's full-time earnings on the job, and ranging from $5 to $30 each week.
2. Medical care, hospitalization and laboratory benefits. This would include services of physician as long as needed at home, office or hospital; services of specialists, as needed; laboratory services such as X-ray, even to eye glasses, and hospitalization for 30 days or 90 days if bureau officials approve and funds permit.
3. Temporary disability (sickness, accident and maternity) for 26 weeks in a year (larger, if funds are available and bureau officials approve), plus 12 weeks additional maternity benefits at the same amount as for unemployment compensation.
4. Permanent disability not to exceed 80% of average monthly wage, with a minimum of $20 and a high of $120 per month, with allowed earnings of not to exceed $20 per month (or $40 if blind). The benefits start after six months as temporary benefits expire.
5. Old age insurance, starting for men at 65 years, for women at 60 years, in same amounts as permanent disability.
6. Survivors insurance to widow, or parents, or children, three-fourths of worker's old age benefits, with a minimum of $20, and a maximum of $120, not to exceed 80% of average monthly wage and graded by number of dependent survivors.
7. State-federal assistance as needed through public welfare departments to blind, aged, dependents, handicapped, (and without citizenship or residence requirements), with federal government supplying 50 to 75 per cent of what state spends and without limit upon amount of federal contribution (percentage dependent upon per capita income, not more than present 50 per cent to Montana), federal and state costs from general appropriation by taxes in addition to pay roll levies.
8. Dental, home nursing, other needed services under study for later action.

Soldiers Protected

Definitely embodied in S. B. 1161 are provisions protecting the eligibility rights of soldiers and placing them under the administrative supervision of the Social Security Board. A specific annual appropriation, from general revenues, is authorized to provide unemployment compensation allowances and training.

Such inclusion of members of the armed forces, in view of the general approval of the public for all proper care to returning soldiers, can be expected to give strong impetus to the passage of the bill. We know of no one who opposes legislation of a generous type for the benefit of veterans.

It might be well to point out that here again the bill breaks with established governmental policy. At present all veteran's legislation is administered by the Veteran's Administration. The Veteran's Administration was created to consolidate and coordinate, under a single roof, all federal agencies dealing with veterans.

Should Veterans Have a Voice?

Should not the soldiers, numbering at the end of the war some 15,000,000, have some say about social security, especially since most are young and the Wagner-Murray proposal would tie up a sizeable proportion of their life-time earnings? In the past, veterans have received medical and hospital care at the expense of the nation. Already in this war (as of October 30, 1943) applications, totaling 12,306,000 for special life insurance, have been received by the Veterans' Administration. The average policy is above $7,000. The insurance is convertible. May not some of these veterans prefer conversion of these policies to old age retirement and disability allowances? May some not feel they cannot carry both types of insurance in reconstruction years?

The benefits now afforded members of the military forces by the Veterans' Administration (as given in detail in the Congressional Record of November 30, 1943, by Representative John H. Rankin of Mississippi) are as follows:

"1. Pensions (or, for Reserve officers and officers appointed in the Army of the United States, retirement pay).
"2. Rehabilitation:
(A) Medical and hospital care, prosthetic appliances, and domiciliary care.
(B) Vocational rehabilitation.
"3. Insurance:
(A) National service life insurance.
(B) Government life (converted) insurance.
(C) Guaranty of premiums , commercial insurance."

Promises vs. Performance

Prospective recipients of social security benefits are prone to assume that under a strictly federal administrative system the benefits would be larger than under a state or state-federal administration. This might be true. We read of tens of billions of dollars being spent annually by the federal government and we assume that this liberality is bottomless.

Higher taxes should give higher benefits. It is noteworthy, however, that this impression has largely been gained by **promises** on the part of the various federal proponents and not on **performance.** Much larger benefits are promised under the Wagner-Murray bill and advocated by Social Security Board officials to beneficiaries should unemployment compensation become federal. Higher tax rates are provided, larger reserves captured, so larger benefits should result, but **new additions to coverage carry much greater proportionate risks** as the future will demonstrate.

We have in operation two federally controlled systems of unemployment compensation at present, one for railroad workers, and a second in the District of Columbia. It might be wise for prospective beneficiaries to compare **performance** under a federal system with **performance** under the state system, rather than comparing **suggestions or promises** under a federal system of unemployment compensation with **performance** under the state system.

In the Social Security Yearbook, published in June, 1943, by the Social Security Board, page 44, there appears the following:

> "Unemployment payments for a full month of unemployment averaged $53 a month under railroad unemployment insurance and $55 under the State unemployment compensation program. In both the State and the railroad unemployment insurance programs, benefits are based on previous wages. The wage level of the railroad industry is higher than that of any industries covered by the State programs. The formulas relating benefits to wages differ, however, between the railroad and State system, as well as among the States themselves."

Thus, it would appear that while a great deal of ink has been spilled in detailing the inadequacies of state unemployment compensation benefits, these same benefits are still more generous on the average than benefits paid under similar circumstances by the now operating federal railroad retirement board. The railroads are the best unemployment risk in America, and the Railroad Retirement Board one of the best managed of all federal agencies.

In the District of Columbia, the average monthly unemployment benefit as paid was $56 per month, as compared with the average paid by the states of **$55.**

Similarly, the state old age assistance payments, a strictly charitable state-federal program, may be compared with the old age and survivor's insurance payments to date without discredit to state liberality.

Again, referring to the Social Security Yearbook, page 42, we have the following:

> "Persons retired because of age received an average of $23 a month under the old-age and survivors insurance program, $66 under the railroad retirement program, $81 under civil service, and $77 under the State and local government retirement systems. Payments to veterans on the basis of age alone were made almost entirely to persons who served in the Spanish-American war; the average for the group was $57."

It will be noted that the best cared for beneficiaries under a federal old age system are the employees of the federal government. They receive on the average more than three times the average monthly retirement payment paid to private citizens under the federal Social Security Board old age and retirement system. No attempt has been made to combine the systems or to say that what is good enough for the plain ordinary citizen is good enough for the civil service employee.

Many of the retirement systems for the employees of many federal departments are not considered by the Social Security Board's published statistics.

The State department has its own pension system; so has the Navy department, and the War department, and other branches of the federal government. They, generally, are more generous than the civil service retirement plan, yet no effort has been made by federal administrative authorities to form one "integrated federal old age pension system," treating civilian workers and governmental workers alike. We have been unable to discover a movement within the Social Security Board even to treat all government workers alike.

But to return to the comparison of the old age and survivor's insurance pension, with the **charitable** old age assistance awards made by the states. The average state old age assistance payment in Montana is now approximately $28 per month, as compared with $23 per month under the federal old age and survivor's insurance program, awarded after earnings and tax collections paid by the worker.

Eighth Year of Federal System

Old age and survivor's insurance is now in its eighth year of existence, and its fourth year of benefit payments. The state old age assistance program in Montana, as supervised by the Department of Public Welfare, is based purely upon need. The pensions are not based upon earnings of any kind. They are charitable. Nevertheless, it would pay the average citizen of small means, reaching the retirement age in this state, and who is eligible to the average old age and survivor's insurance pension, to decline to accept his rights from the federal government, forget his tax payments, take the pauper's oath, and draw the charitable pension as a gift from the state. This distinction is still more apparent in comparing the federal pensions given couples, and the state charitable pensions for widows and orphans. In all cases, to date, the state old age assistance program is very much more liberal than the average benefits so far received under the federal old age and survivor's insurance program for private citizens after wage earnings in covered industry.

Effect on State Activities

The effect of the Wagner-Murray bill upon existing Montana state and local government activities will, in the future, depend upon amendments to eliminate indefensible overlaps.

Some of the social service activities of state government would become federal at once under S. 1161; some probably at the end of a year or more, while other state activities might continue for a decade or more upon a gradually reduced scale.

Employment Service

The State Employment Service would permanently become federal, and, as we see the bill, Title I-B, which establishes a national system of public employment offices, is so broad in its scope as to transfer all activities dealing with vocational training and rehabilitation of civilians and members of the armed forces to the United States Employment Service. Thus, the state organizations would be entirely out of this field, possibly following state legislation to complete existing contracts.

Unemployment Compensation

The absence of the credit provisions for state unemployment compensation in the federal pay roll taxes levied under S. 1161 would cause employers to pay duplicate taxes, and this would result in immediate agitation for repeal of the taxing provisions of the State unemployment compensation law. Since the Wagner-Murray bill provides that no benefits be paid prior to one year after the effective date of taxes levied (starting January 1, 1944), it appears Montana would continue paying benefits during all of 1944, but a special session would be required to eliminate the state tax collection features.

Might Call for Special Session

Since the federal government now provides nearly all administrative expenses for state unemployment compensation commissions and since no provision is made for such purposes in the Wagner-Murray bill after July 1, 1944, it appears the State of Montana would be compelled to appropriate from state general funds administrative costs until the end of 1944, and then be in the peculiar position of having to turn over some fifteen million dollars (estimated by January 1, 1945) in accumulated state unemployment compensation reserves to the federal treasury, to be used by the Social Security Board as needed. This money, when it reaches the federal treasury, and the special trust fund, as provided, might be used for permanent benefits or other purposes not in line with present restrictions in state laws or pledges made to taxpayers at the time of collections, when it was set aside exclusively for unemployment benefits.

Acting upon the advice of this Commission, and the Social Security Board, the Montana legislature has taken a conservative stand on tax collection provisions. Many states have reduced their tax rates for unemployment compensation through experience rating. The Montana legislature, feeling that large sums might be necessary for unemployment benefits at the end of the war, refused to reduce taxes, though disbursements to the unemployed in recent months have been proportionately among the lowest in the nation.

Should the Wagner-Murray bill pass, taxpayers in this state will be discriminated against in that Montana reserves turned to the federal treasury will be several million dollars

larger than they need have been. Montana will be discriminated against for being conservative in its taxing policy.

Industrial Accident Insurance

The Montana industrial accident law was passed in 1915. All of the costs of providing benefits to injured workers under this measure are paid by the employer through pay roll taxes varying from one-half of 1 per cent, to 19 per cent for extremely hazardous occupations. Mississippi has no industrial accident law.

Under the Wagner-Murray bill, in Montana temporary and permanent disability benefits received from the federal government would be reduced by the amount of the industrial accident benefit. In Mississippi, the injured worker would receive the entire federal benefit. How long would Montana employers continue such a system of duplicate taxation? In Montana, industrial accident insurance is voluntary under the law, but we believe in many states such commissions would shortly be liquidated by repeal of the several state acts, and federal authorities would take over this field.

And yet, under the Montana law, the employer, by taking industrial accident insurance, is given immunity against personal injury suits from injured workmen. The Wagner-Murray bill provides no such immunity. The situation might offer a field day for the lawyers.

Again, it will be many years before many millions, newly entering the employment ranks, accumulate sufficient wage credits to entitle them to a federal permanent disability pension or survivors benefits sufficient to equal industrial accident insurance payments, and without state insurance, their protection would be inadequate. The status of accident pensions now on industrial accident pay rolls might be in jeopardy, but we are certain Montana would make good upon all contracts.

Industrial accident insurance in Montana takes effect the first day the worker enters the service of the covered employer. Under the Wagner-Murray bill, the worker must labor many weeks before any protection is available, and several years before benefits are of consequence. What would happen to the worker injured in early employment?

Industrial accident attorneys, we feel sure, will, after reflection, be able to point out scores of indefensible overlaps that will require days of hearings before the Wagner-Murray bill could be made workable in this respect.

State and Local Pension Systems

Montana now has several minor old age pension systems covering teachers, firemen, police officers, etc. Some of these systems have accumulated substantial reserve funds over the years. They are supported in part by contributions from the covered employees, and in part, by a variety of general tax collections.

Provision is made in the Wagner-Murray bill for the voluntary assimilation of such state pension systems, through the payment of a pay roll tax of 3½ per cent by the state or local agency, plus 3½ per cent deducted from the employee's salary. The bill also provides that of any pension received from a contributory state system, the federal benefit be reduced by one-half the amount received from the state benefit. The intent of this provision appears to have the ultimate objective of wiping out the local systems, and would, we think, with time, achieve its purpose.

Largest Tax Increase on Employees

In a previous circular sent out by this agency, the statement is made that the Wagner-Murray bill would increase social security taxes in Montana about five-fold from existing levels. The estimate is an understatement, if applied to **over-all** social security tax collections. It was not intended to imply that **present covered employers** would find their pay roll taxes increased five times.

In fact, the bill is designed to soothe the employers now covered. The social security pay roll taxes (not including industrial accident taxes) of such employers would increase only fifty per cent, from 4 per cent, or 3.7 per cent if employing less than 8 persons, as at present, to 6 per cent on January 1, 1944. It also is correct that existing old age and survivors insurance taxes are scheduled to increase 1 per cent on January 1, 1944 unless frozen at present levels by act of congress (latest press dispatches seem to indicate this will be done).

Indeed, if the ultimate effect of the Wagner-Murray bill should be to wipe out industrial accident insurance, now exclusively an employer tax, many Montana employers might ultimately have smaller pay roll taxes than at present. A Montana employer having an industrial accident tax rate of 8 per cent, and now paying 4 per cent for unemployment and old age and survivor's insurance could have his pay roll taxes cut in half by the Wagner-Murray bill. This would be especially apparent in the construction, small mining companies, and some sections of the lumbering industries in this state.

One of the ultimate effects of the bill would be the transfer of most of the present costs of industrial accident insurance, now borne exclusively by the employer, to the general public, and especially to the employee.

The pay roll tax rate upon the employee, now covered by industrial accident insurance, unemployment and old age and survivor's insurance, would, under the Wagner-Murray bill, be increased from 1 to 6 per cent, or six-fold beginning January 1, 1944.

Few of the workers have been informed of these provisions. We believe they are entitled to know.

New taxpayers, such as farmers, livestock producers, the professional self-employed, and collections made by other than pay roll taxes, would eventually increase social security taxes in Montana more than five-fold from existing levels, but pay roll tax increases upon present covered employers would not be above 2 per cent.

Collections by Social Security Board

Another novel feature of the Wagner-Murray bill is that it removes the tax collection work involved from the Treasury department (Bureau of Internal Revenue) to the Social Security Board. The change is worthy of note because of the obvious duplication of men and equipment, and the consequent wastage of funds.

Medical, Hospitalization, and Related Benefits

We now approach the most heatedly discussed sections of the Wagner-Murray bill—the provisions offering to all currently insured (and dependents) general medical, special medical, laboratory, and hospitalization benefits. These services would be the administrative responsibility of the surgeon general from Washington.

In discussing these provisions, it is well to keep in mind that the surgeon general does not furnish, through funds in his custody, the money to pay physicians for medical service. He furnishes the service. He pays the doctor, not the patient. Cash benefits are not provided for hospital bills and X-rays. The surgeon general deals with the hospital and extends compensation.

The doctor may work for the government on a salary, by piece work, or by number of patients, as a majority of the members of his profession in undefined areas may choose, but his pay check is approved by the surgeon general, not the patient. The surgeon general fixes the amount.

Surgeon General Supreme

If the physician thinks he is a specialist in stomach ulcers, the surgeon general decides whether he is qualified for such work. The surgeon general may decide the doctor will do better as a corn specialist. If the surgeon general does not like the doctor's work, he may fire him. The surgeon general, not the patient, may decide. The surgeon general is "papa." Make no mistake about that. The doctor may appeal from the surgeon general's decision to a committee of his peers, but the surgeon general selects the committee.

The doctor does not have to work under the surgeon general. He can still carry on a private practice, as at present. Many, doubtless, would do so. The difficulty for a majority of physicians would be that nearly all of their patients would have services offered by the surgeon general, services they would have financially contributed to provide, and the competition would doubtless be keen under such circumstances.

The patient may select his own doctor unless the surgeon general decides the physician of his choice already has too many patients. In that case, the surgeon general would provide a list of available medical men.

The surgeon general selects the hospitals offering services. The patient has free choice of such institutions. The surgeon general and the Social Security Board decide the amount of laboratory benefits.

We do not know whether such a revolutionary change in medical practice in the United States is justified. We thought that the battle against death and disease, under the supervision of the medical profession, has in recent years been going in favor of much better general health and longer life for larger and larger numbers of human beings. Perhaps the people wish to set up a dictator over the medical profession. It is a technical subject and one that could easily take months of study. At least ,the people are entitled to know what is proposed.

Centralization by Decree

In discussing this new social order in America, it is not particularly our purpose to attack, or defend, but merely to summarize and explain what is happening and what may happen in the future. If the people wish to federalize all state activities, they have a perfect right to do so. We do believe that the problems involved are among the most important, with the exception of the war, before the people, and we should have continuous and free discussion. Sometimes when new federal departments are established, we do not have free discussion.

Sometimes such departments are established under Executive Order and emergency orders. Sometimes the matters involved do not appear to be emergencies. A case in point is the federalization of the state employment service. The President simply issued a decree federalizing the service, over the protest of the governors of a great majority of the states. He did this on the theory that it was necessary for the public safety to establish an integrated and consolidated national employment service.

Today the so-called manpower crisis is rapidly vanishing. Most of the shortage of manpower was due, in the first instance, to the maldistribution of war projects, placed by the federal authorities. Now that even this shortage is becoming less acute, we are hopeful that the implied promise of the President to return the services to the states will speedily be redeemed.

Bill Conceived in Lofty Purposes

We hope we have not given the impression that we are opposed to the extension of social security just as fast as the people are willing to assimilate a broad program. We freely concede the Wagner-Murray bill is conceived with lofty purposes. We simply feel that many of the proposals before congress demand amendments, and long consideration.

For a Pay-As-You-Go System

We favor sickness insurance, but upon a **cash** basis rather than by the furnishing of **services by direction** from Washington. We, also, favor permanent disability insurance, and a widening of coverage, though, in the beginning, if we had our way, the proposals would be more voluntary and less compulsory. Above all, we favor a pay-as-you-go system, with ear-marked tax collections set aside for specific benefits. We do not favor any system, no matter how great its promises, that relies upon annual appropriations of congress to meet its benefit payments as due.

Wartime, Waste-time

It seems to us, also, that it should be remembered that **wartime is waste-time**, and waste-time may not be the best time to establish too many **lifetime** tax schedules. We can imagine nothing more tragic or heart-breaking than the spectacle of a man who, for years, has paid into an old age system for his declining years, only to be told that the congress has failed to appropriate because, possibly, some other officials have expended 130 million dollars trying to develop an oil field in Canada, in the very shadow of the North Pole.

We would again point out that when a statute, such as the Social Security Act, is passed, affecting the lives of millions and uprooting the settled habits of men, the law should be slow in development and administered at the grass roots. In the field of social services, it is possible to attempt **too much too fast for permanence,** just as on the military field too late and too little is poor policy. In one field we should build for permanence; in the other, speed to attain quick ends is the watchword.

Recommendations

We would specifically recommend, for consideration of the congress and state legislators, a joint state-federal, not strictly federal, program for the extension of social security somewhat as follows:

Reduce Number of Reports

1. From the first annual report of the Unemployment Compensation Commission (1938) we repeat:

"We feel that the tax base of the Social Security Act, under Title VIII (Old Age Insurance), and Title IX (Unemployment insurance) should be brought as near as possible to conformity; with coverage, wage and tax reports made identical, if possible, and with a single collection agency, either state or federal. Tax collection activities, at present, are absurdly complicated, and taxpayers have full cause to protest."

2. We favor adequate and complete protection for the returning soldiers, endorsing in full the two resolutions adopted unanimously by the Interstate Conference of Employment Security Agencies at Louisville, Kentucky, October 22, 23, 1943, as follows:

"WHEREAS, The Interstate Conference of Employment Security Agencies has a major interest in the development of adequate plans for post-war programs, and "WHEREAS, There are other organizations having similar objectives,

"BE IT THEREFORE RESOLVED, That the Executive Committee of the Interstate Conference be instructed to make a diligent effort to coordinate a plan among such organizations, particularly the labor and employer organizations, the Veterans organizations and others having similar interests."

"WHEREAS, following mustering-out or furlough pay, any subsequent general program of payments to all veterans because of unemployment should be financed by federal funds, should be combined with a work-test, and should be administered by State Unemployment Compensation agencies already experienced and equipped for the task; now therefore

"BE IT RESOLVED THAT, should any committee of congress request information as to the position of the Interstate Conference of Employment Security Agencies on the manner of providing for unemployed veterans following the exhaustion of mustering-out or furlough pay, that such committee be advised that the Conference favors a program of unemployment payments based on a work-test as the most desirable plan, and that any such program be financed by federal funds, and administered by established State Unemployment Compensation agencies."

A Cash Sickness Insurance

3. We have for several years advocated **cash** sickness insurance upon a state basis as opposed to **both cash and medical services** to disabled covered individuals as proposed by the Wagner-Murray bill. Again, we endorse a resolution of the Interstate Conference on the subject, as follows:

"RESOLUTION VII—WHEREAS, Further consideration should be given to strengthening Social Security protection by a survey of those fields which are not presently provided for in the program, and

"WHEREAS, It is generally recognized that the field of temporary disability benefits—namely, cash sickness (excluding occupational disease), accident (excluding industrial accidents), and maternity benefits is one to which primary attention should now be given, and

"WHEREAS, It appears that such protection can be most economically and effectively provided for and administered on a state basis, integrated with the present state unemployment compensation program;

"NOW, THEREFORE, BE IT RESOLVED, by the Interstate Conference of Employment Security Agencies that any such program of temporary disability benefits should be established and operated on a State basis rather than a National basis, and be integrated with the Unemployment Compensation Program in the several states.

"BE IT FURTHER RESOLVED, That the Executive Committee is directed to continue its study of this problem and of related problems of Social Security Extension.

"BE IT FURTHER RESOLVED, That the Executive Committee call this matter to the attention of the Conference of Governors and take such further action as it may deem necessary or desirable to implement this resolution."

Voluntary Old Age Coverage Extension

4. We favor further extension of coverage for Old Age and Survivor's Insurance, but for the immediate future upon a **voluntary** rather than a **compulsory** basis. We would allow self-employed farmers, lawyers, doctors, and local public employees, willing to pay both employer and employee contributions, to join the system, meeting, where desired, all payments for past years to obtain greater protection.

Permanent Disability

5. We favor, also, permanent disability payments, but believe for the present it would be wise to limit such compulsory coverage to industrial groups and to age groups of more than 55 years, with voluntary coverage for others, and all under local administrative control.

We believe such extensions of social security would, through the present act, be practical and could suc-

ceed, would absorb the energies of the American people for some time, and would be a step that need not be retraced toward a broad long-range program of semi-universal coverage such as is proposed in the Wagner-Murray bill No. 1161.

A Bread and Butter Question

In conclusion, this question of federal control is a bread and butter question to Montana; upon its decision, may rest the immediate economic future of the state.

Montana produces raw materials. Our money, to meet pay rolls, comes from the sale of wheat, copper, wool, lumber, cattle, oil, and sheep. We have little manufacturing. Eighty-five per cent of such manufacturing as we do have is confined to processing raw materials in smelting plants, refineries, flour, and food mills.

In an economy managed from Washington, it is easy to fix the price on raw materials. That has been done. It is difficult, if not impossible, to fix the price on manufactured goods. How can the price be fixed on a tank, ship, or gun never before built? Prices on such goods were fixed by officials at Washington by contracts of various types with attention to speed of delivery and largely without regard to costs.

Since no manufacturing facilities existed in Montana, this state has received little or no war contracts, and there has been tremendous maldistribution of war plants.

In the last war prices of raw materials were permitted to rise. As a result the average price of copper in 1918 was 24.7 cents per pound as compared with about half this price in 1943. The Butte mines in 1918 employed 16,000 men. The Butte mines in 1943 could obtain but 8,000 men. Prices on other commodities increased proportionately. Montana, hit by successive drouths, did not prosper in agricultural regions, as might be expected, but Montana in 1918 increased in population by leaps and bounds despite some 40,000 men in the armed forces. Montana, from 1940 to 1944, has lost nearly 20 per cent of her working population. Our total population today is about 485,000 compared with 559,456 at the 1940 census.

AWAITS HEARING

Note: Companion Bill to S. 1161 is H. R. 2861 (Dingell, D., Mich.). As this is written, the Dingell Bill awaits hearings by the House of Representative Ways and Means Committee and the Wagner-Murray bill has been referred to the Senate Finance Committee.

Members of
U. S. SENATE FINANCE COMMITTEE
1943

George Walter F., Chairman	Georgia
Walsh, David I.	Massachusetts
Barkley, Alben W.	Kentucky
Connally, Tom	Texas
Bailey, Josiah W.	North Carolina
Clark, Bennett Champ	Missouri
Byrd, Harry Flood	Virginia
Gerry, Peter G.	Rhode Island
Guffey, Joseph F.	Pennsylvania
Johnson, Edwin C.	Colorado
Radcliffe, George L.	Maryland
Lucas, Scott W.	Illinois
LaFollette, Robert M. Jr.	Wisconsin
Vandenberg, Arthur H.	Michigan
Davis, James J.	Pennsylvania
Lodge, Henry Cabot, Jr.	Massachusetts
Danaher, John A.	Connecticut
Taft, Robert A.	Ohio
Thomas, John	Idaho
Butler, Hugh A.	Nebraska
Millikin, Eugene D.	Colorado

Members of
House of Representatives
WAYS AND MEANS COMMITTEE
1943

Doughton, Robert L., Chairman	N. Carolina
Cullen, Thomas H.	New York
Cooper, Jere	Tennessee
Disney, Wesley E.	Oklahoma
Dingell, John D.	Michigan
Robertson, A. Willis	Virginia
West, Milton H.	Texas
Mills, Wilbur D.	Arkansas
Gregory, Noble J.	Kentucky
Camp, A. Sidney	Georgia
Lynch, Walter A.	New York
Forand, Aime J.	Rhode Island
Wasielewski, Thad F.	Wisconsin
Eberharter, Herman P.	Pennsylvania
Maloney, Paul H.	Louisiana
Treadway, Allen T.	Massachusetts
Knutson, Harold	Minnesota
Reed, Daniel A.	New York
Woodruff, Roy O.	Michigan
Jenkins, Thomas A.	Ohio
McLean, Donald H.	New Jersey
Gearhart, Bertrand W.	California
Carlson, Frank	Kansas
Simpson, Richard M.	Pennsylvania
Dewey, Charles S.	Illinois

(one vacancy—due to death)

Since the above has been written, we are advised that S. 1617 (H.R. 3917) has been introduced in the Congress at the request of the American Legion, providing for unemployment compensation benefits for returning soldiers, through the administration of the Veteran's Bureau rather than the Social Security Board. We feel that this is a more logical method than the Wagner-Murray bill.

ADVISORY COUNCIL

(Continued from Page 3)

Statement on the Wagner-Murray Bill

I am highly in favor of the social-security objectives of the Wagner-Murray bill. I am opposed, however, to some of the methods of administration which the bill provides. I think complete federal administration of Unemployment Compensation and Employment Service would be an unnecessary attack on local self-government and therefore on Democracy. Similarly I think that the government regulation of the doctor-patient relation and the medical profession contemplated by the bill is nothing short of political Fascism. Maybe it would be better, in the long run, if Social Security were extended to the self-employed on a voluntary basis.

(Signed) J. J. O'CONNOR,
Chairman, Advisory Council.

Statement of J. F. M. Travis

Have checked your report carefully and I concur in it. It is well thought out. I am against raising the tax rate and feel more inclined to favor an overall reduction. I am for state control, not federal. If some plan is devised to lower the tax rate so that it will include all and not just a few classifications I would be for cutting the rate.

J. F. M. TRAVIS.

Statement of James V. Bennett

I favor the report of the Commission. As a representative on the Advisory Council of the uncovered groups, including farmers, I think not one farmer in fifty is aware that he would be required to pay taxes, under pending proposals, of seven per cent of a fair value of his services, plus six per cent upon farm workers and employees and six per cent to his help. It seems to me he should, at the least, be advised of what is intended. I do think there is a great need for some moderate form of semi-universal medical aid.

JAMES V. BENNETT.

Statement of Bruce I. Steinmetz

With the hardship and suffering, as well as the waste and confusion inherent in emergency agencies set up to cushion the impact of the sudden breakdown of our economic structure in 1929, still fresh in our minds, we should approach any method to prevent a reoccurrence of such a chaotic condition with a mind devoid of prejudice and destitute of personal ambitions, considering primarily what is best for the greatest number of people, even though it means some temporary sacrifice by a few. There are several schools of thought as to the reasons for our economic failure of 1929 but when one considers that there were just as many people in the world immediately after the crash as there was just before, and that each and every one of these people of the world were as badly in need of food, clothing, housing, and everything that entered into their normal life, after the crash as before, it must be obvious to the thinking person that economic security is largely dependent upon Social Security, notwithstanding the fact that an attempt is made to place responsibility for our economic crackup of 1929 to the loss of our foreign markets because of a world wide depression. An examination of figures of the U. S. Dept. of Commerce indicates that our exports, in normal times, never did exceed 8 per cent, including agriculture. Therefore, it could not be agreed that if we lost the entire 8 per cent, which of course we did not, that that amount of loss could throw us into total economic failure. It is apparent then, that the solution to leveling out our peaks and valleys in employment and business is to be found in our own national economy. Examining this we find that industry produces and thereby furnishes employment just so long as they have a market for their product. The wage earner, farmer, or self-employed person buys goods and services thereby furnishing a market for the product of industry, and the services of the merchant and professions, just so long as they have the money to make the purchases or pay for the services.

The purpose of the Wagner-Murray Amendment to the Social Security Act, Senate Bill 1161, is to cushion the impact from loss of income for those who through no fault of their own have no control over the perman-

ency of their income. Many attempts have been made in the various states to liberalize our present unemployment compensation laws but without avail, on the contrary, many states have restricted the benefits under existing laws. Many plans to strengthen old age security or job security have sprung into prominence in the past few years, some of them on a national basis, while most states were confronted with any number of proposals, which if enacted into law, would have piled up a much greater relief bill than the taxpayers would have been able to pay. The fact that most of these piecemeal proposals attracted large numbers of followers is conclusive evidence that liberalized social security is a crying need in times when our industrial plant fails to furnish employment and when a worker becomes beyond the age where their services are in demand on the labor market. We did not hesitate to go to the national government for financial aid when our state, county, and municipal funds were insufficient to carry the load required to maintain our worthy unemployed in the bare necessities of life. Had the national government taken the position that under state rights it was the state's right to take care of their needy, (and this position has been taken on previous occasions), the various states, counties, and municipalities would have had to increase property taxes to the point of confiscation or allow their needy to starve, it would appear then that the argument against a national fund to care for these emergencies is without foundation. A uniform national security program would eliminate the discrimination against the worker of the southern states, certainly no one can dispute the fact that a worker is entitled to live at the same standard regardless of state lines. Right here there seems to be two schools of thought. Chinese coolies live on a few cents a day, if the American worker wanted to live at the same standard as the Chinese coolie, it could be done, likewise a northern worker could live as cheaply as a southern worker if they both lived at the same standard.

Families with incomes under $3,000 now pay on the average of 5 per cent of their incomes for medical care. The unpredictability of sickness makes it impossible for the worker to budget this amount so that it may be on hand when needed, therefore, those unfortunate enough to have sickness strike when they are least prepared to finance it are often burdened with an obligation from which they never recover. The Wagner-Murray Bill makes provision for this emergency as part of the benefits paid for in small insurance premiums by the worker and employer during periods when the worker is able to work, thereby eliminating the uncertainty of how the doctor or hospital is going to be paid, and providing the worker and his family with a feeling of security at a time when most needed. A good many old line insurance companies have been writing policies insuring income, hospital and medical care, and many business and professional men carry this type of insurance, no one has ever questioned the soundness of this type of insurance for those who can afford it.

Those expressing fears for the cost of operation of the social insurance as proposed by the Wagner-Murray Bill, have failed to consider the inexcapable fact that without adequate social security, unemployment such as we had in the thirties, entails a hidden cost beyond comprehension. Critics of the Wagner-Murray Bill point to maximum costs easily discernible by computing figures seen on the surface, but if we charge the millions of dollars sent into the state by the federal government for unemployment relief; plus the amount spent by the state, counties, and municipalities; plus the cost of bank failures, business failures and loss of profits by those businesses that survived the depression, against the cost of carrying out the provisions of the Wagner-Murray Bill, it will be realized that the costs of the Wagner-Murray Bill become insignificant by comparison. Instead of the waste and confusion inherent in a hastily set up emergency program, the Wagner-Murray Bill sets up a permanent agency which by the very nature of its permanency is prepared to meet emergencies efficiently.

When large groups of our citizens are without income there is a certain irreparable damage to our entire economic structure, that cannot be computed in dollars and cents, no one can successfully deny that these are hidden costs that the Wagner-Murray Bill is designed to eliminate, likewise no one can deny that these hidden costs usually hit hardest on those least able to pay, as is evidenced by

the fact that some businesses survive a depression while others fail dragging their owners under with them. It would appear then that liberalized social security with benefits such as proposed by the Wagner - Murray Amendments to the Social Security Act, Senate Bill 1161, would not only provide social security for those covered by the Act, but would also be a bulwark to cushion the impact of a demoralizing element in our economic structure. Since Industrial Accident Insurance is a protection from court action for the employer, comparable to the liability insurance carried by most automobile owners, insurance rates for this type of protection would decrease by virtue of the fact that time lost for most minor injuries would seldom result in a claim against the Industrial Accident fund. There is a tendency on the part of many individuals to put off social reforms to some unspecified date, but the importance of social security and its direct relation to our national economy would seem to demand that this element in our economic structure should be taken care of **now, immediately,** so that it may be well organized during a period in which we can well afford to pay for it and then function efficiently when the need arises.

There is an old saying, "In time of peace prepare for war," so it should be with social reforms, in time of plentiful employment, prepare for unemployment, employment is at its peak now, therefore, the solvency of the fund as proposed by the Wagner-Murray Bill, could more nearly be assured under present conditions than could be expected under depressed conditions. The major national labor organizations have scrutinized and endorsed the Wagner-Murray Amendments to the Social Security Act because it appears to relieve the wage earner of the humiliation of having to accept charity when because of no fault of his own he is without a job. One of the four freedoms is freedom from want, the Wagner-Murray Bill gives hope to millions of citizens that this freedom will be realized, in view of this fact, and not being unmindful of the economic chaos accompanying the mass unemployment cycle of the thirties, we can ill afford to oppose or obstruct the passage of the Wagner-Murray Bill.

(Signed)
BRUCE I. STEINMETZ.

Statement of Eva H. Stoutenburg

"I am opposed to the Wagner-Murray (S-1161) in part:

First—I do not approve of complete federalization of Unemployment Compensation. It should be state with federal assistance.

Second—Each state should have a right to solve its own problems and to regulate according to its local needs by individuals who understand local problems.

Third—Our Social Security laws should protect the people by continuing with ear marked funds to be used for purposes for which marked. This is not true in the Wagner-Murray bill.

Fourth—The Social Security program would be complicated by Bureaus.

Fifth—I do not approve of raising taxes at this time.

Sixth—I do not approve of the medical and hospitalization as written in the bill. Our working people need some type of sound medical protection. We should have enough confidence in the medical profession for our American doctors to have been consulted and given an opportunity to present a plan for the people and not one Doctor Dictator (appointed by the President) to say what the people shall have.

Seventh—I think the Bill much too far reaching for sound social structural building in protecting the millions of working people who would be affected by such a program.

(Signed)
EVA H. STOUTENBURG

NAEGELE PRINTING CO., HELENA, MONT.